

**United States Trustee Program - Chapter 11
Monthly Operating Report
EASTERN DISTRICT**

Case Name: Payless Holdings LLC

Case Number: 19-40883

Reporting MM/DD/YY: May 5, 2019 through June 1, 2019

Date Bankruptcy Filed: February 18, 2019

E-MAIL THIS UST MOR FORM BY THE 21ST OF THE FOLLOWING MONTH TO:
THE FILE NAME SHOULD INCLUDE: [MOR][CASE NUMBER][MONTH][YEAR] (e.g., MOR-06-12345-01-2007.pdf or .xls)

kcmor@usdoj.gov

E-MAIL BANK STATEMENTS SEPARATELY BY THE 21ST OF THE FOLLOWING MONTH TO:
THE FILE NAME SHOULD INCLUDE: [BANK][CASE NUMBER][MONTH][YEAR] (e.g., BANK-06-12345-01-2007.pdf)

kcmor@usdoj.gov

Monthly Chapter 11 **Individual** Operating Report - used by all individuals to report personal/household activity.

Monthly Chapter 11 **Business** Operating Report - used to report ALL business activity.

United States Code
Title 18 Crimes and Criminal Procedures
18 U.S.C. SEC. 1001

Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements of representations, or makes or uses any false writing or document knowing the same to contain any false fictitious or fraudulent statement or entry, shall be fined not more than \$250,000 or imprisoned no more than five (5) years, or both.

I certify under penalty of perjury that the operating report for above stated month and year is true and correct.

Date Submitted: 6/21/2019

Signed: /s/ Stephen Marotta

Title: Chief Restructuring Officer, Payless Holdings LLC and certain subsidiaries

Printed Name: Stephen Marotta

In re:

PAYLESS HOLDINGS LLC, et al.,

Case No. 19-40883

Debtors.

Reporting Period: May 2019

Schedule of Cash Receipts and Disbursements

| Case Number | Case Name | Cash Receipts ⁽¹⁾⁽³⁾ | Cash Disbursements ⁽²⁾⁽³⁾ |
|-------------|---|---------------------------------|--------------------------------------|
| 19-40883 | Payless Holdings LLC | - | - |
| 19-40882 | Payless ShoeSource, Inc. | 36,105,225 | - |
| 19-40884 | PSS Delaware Company 4, Inc. | - | - |
| 19-40885 | Payless Gold Value CO, Inc. | - | - |
| 19-40886 | Payless Intermediate Holdings, LLC | - | - |
| 19-40887 | Payless Collective GP, LLC | - | - |
| 19-40888 | Eastborough, Inc. | - | - |
| 19-40889 | WBG-PSS Holdings LLC | - | - |
| 19-40890 | Payless Inc. | - | - |
| 19-40891 | Collective Licensing International, LLC | - | - |
| 19-40892 | Payless Finance Inc. | 110,028,697 | (124,271,852) |
| 19-40893 | Collective Brands Franchising Services, LLC | - | - |
| 19-40894 | Payless ShoeSource Distribution, Inc. | - | - |
| 19-40895 | Payless ShoeSource Canada, Inc. | 1 | - |
| 19-40896 | Payless ShoeSource Worldwide, Inc. | - | - |
| 19-40897 | Payless ShoeSource Canada LP, Inc. | 2,946,125 | (6,250,002) |
| 19-40898 | Shoe Sourcing, Inc. | - | - |
| 19-40899 | Payless ShoeSource Canada GP, Inc. | 17 | - |
| 19-40900 | Clinch, LLC | - | - |
| 19-40901 | Payless NYC, Inc. | - | - |
| 19-40902 | PSS Canada, Inc. | - | - |
| 19-40903 | Payless Purchasing Services, Inc. | - | - |
| 19-40905 | Payless International Franchising, LLC | - | - |
| 19-40906 | Payless ShoeSource of Puerto Rico, Inc. | - | - |
| 19-40907 | Payless ShoeSource Merchandising, Inc. | - | - |
| 19-40908 | Collective Licensing, LP | - | - |
| 19-40910 | Collective Brands Services, Inc. | - | - |
| | | | |
| | Total Debtors | \$ 149,080,065 | \$ (130,521,853) |

⁽¹⁾Represents receipts, net of merchant fees.

⁽²⁾Represents operating and restructuring disbursements.

⁽³⁾All amounts are illustrated in USD. The Debtors maintain a master or "concentration" bank account held by Payless Finance at Wells Fargo. The Master Account is the Company's main operating account into which funds are regularly swept from other of the Company's Bank Accounts and from which funds are disbursed to meet the Company's ordinary course obligations.

In re:

PAYLESS HOLDINGS LLC, et al.

Case No. 19-40883

Debtors.

Reporting Period: May 2019

Bank Account Reconciliation

| Entity | Bank | Description | Account | Ending Balance (USD) |
|-------------------------------------|---------------------------------------|---|---------|----------------------|
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Concentration | 5863 | 120,169,557.81 |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Payroll Checking | 3955 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Misc Corporate Deposits | 8148 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Payroll ACH | 5454 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Duty Payments | 6500 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Medical Providers | 7331 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Tax ACH and Postage | 2832 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | AR Receipts | 4762 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Outgoing Wires | 4778 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Incoming Wires | 6427 | 5,679,563.81 |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | AP Checks | 3936 | - |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Sales Tax Reserve (Opened Post-Petition) | 2870 | 3,120,041.74 |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Utility Adequate Assurance Account (Opened Post-Petition) | 2888 | 875,695.05 |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | Prof Fees Reserve (Opened Post-Petition) | 2896 | 7,961,363.20 |
| Payless Finance, Inc. | Wells Fargo Bank, N.A. | DIP Loan Reserve (Opened Post-Petition) | 2904 | - |
| Payless Finance, Inc. | Bank of the Internet | Paycard Program | 8655 | 20,608.98 |
| Payless ShoeSource, Inc. | Lake Region Bank | Returned Check Consolidator | 72-F | 30,867.94 |
| Payless ShoeSource, Inc. | Wells Fargo Bank, N.A. | Consolidated Store Depository | 4582 | 371,406.71 |
| Payless ShoeSource, Inc. | TD BANK | Consolidated Store Depository | 1253 | 192,053.09 |
| Payless ShoeSource, Inc. | HUNTINGTON NATIONAL | Consolidated Store Depository | 7960 | 4,611.60 |
| Payless ShoeSource, Inc. | COREFIRST BANK | Consolidated Store Depository | 5975 | 3,133.93 |
| Payless ShoeSource, Inc. | SANTANDER | Consolidated Store Depository | 1616 | 23,648.32 |
| Payless ShoeSource, Inc. | US BANK | Consolidated Store Depository | 2887 | 31,548.90 |
| Payless ShoeSource, Inc. | MANUFACTURERS & TRADERS | Consolidated Store Depository | 9511 | 10,541.92 |
| Payless ShoeSource, Inc. | CAPITAL ONE | Consolidated Store Depository | 7396 | 363,536.99 |
| Payless ShoeSource, Inc. | COMMERCE | Consolidated Store Depository | 3194 | 5,659.39 |
| Payless ShoeSource, Inc. | CITIZENS | Consolidated Store Depository | 8162 | 14,545.18 |
| Payless ShoeSource, Inc. | JP MORGAN CHASE | Consolidated Store Depository | 9880 | 429,551.89 |
| Payless ShoeSource, Inc. | FIRST NATIONAL | Consolidated Store Depository | 9310 | - |
| Payless ShoeSource, Inc. | BANK OF THE WEST | Consolidated Store Depository | 3324 | 3,122.22 |
| Payless ShoeSource, Inc. | BANK OF HAWAII | Consolidated Store Depository (Closed 5/20/2019) | 7839 | - |
| Payless ShoeSource, Inc. | FIRST TENNESSEE | Consolidated Store Depository | 1314 | 24,832.26 |
| Payless ShoeSource, Inc. | COMPASS | Consolidated Store Depository | 7232 | 12,875.11 |
| Payless ShoeSource, Inc. | PNC | Consolidated Store Depository | 3145 | 6,649.44 |
| Payless ShoeSource, Inc. | KEY BANK | Consolidated Store Depository | 3530 | 18,933.40 |
| Payless ShoeSource, Inc. | FIRST CITIZENS | Consolidated Store Depository | 4883 | 7,963.09 |
| Payless ShoeSource, Inc. | UNITED NATIONAL | Consolidated Store Depository | 8808 | 748.23 |
| Payless ShoeSource, Inc. | FIFTH THIRD | Consolidated Store Depository | 3442 | 42,470.65 |
| Payless ShoeSource, Inc. | INTERNATIONAL BANK OF COMMERCIAL | Consolidated Store Depository | 3296 | 23,492.14 |
| Payless ShoeSource, Inc. | BANK OF AMERICA | Consolidated Store Depository | 4606 | 13,667.78 |
| Payless ShoeSource, Inc. | REGIONS | Consolidated Store Depository | 9423 | 25,069.38 |
| Payless ShoeSource, Inc. | BRANCH BANKING AND TRUST COMPANY | Consolidated Store Depository | 8060 | 30,323.11 |
| Payless ShoeSource, Inc. | AMERICAN SAVINGS | Consolidated Store Depository | 6280 | - |
| Payless ShoeSource, Inc. | TRUSTMARK | Consolidated Store Depository | 9211 | 3,402.58 |
| Payless ShoeSource, Inc. | HARRIS | Consolidated Store Depository | 2064 | 5,797.78 |
| Payless ShoeSource Puerto Rico Inc. | BANCO POPULAR | Consolidated Store Depository | 1584 | 5,476.37 |
| Payless ShoeSource Puerto Rico Inc. | BANCO SANTANDER | Consolidated Store Depository | 0908 | 2,559.76 |
| Payless ShoeSource Worldwide, Inc. | BANK OF HAWAII - GUAM | Consolidated Store Depository | 5469 | 5,588.95 |
| Payless ShoeSource, Inc. | BANCO POPULAR - VIRGIN ISLANDS | Consolidated Store Depository | 6823 | 8,235.18 |
| Payless Finance, Inc. | Citibank, N.A., c/o Citi Private Bank | Escrow Account [GUCs from prior case] | 1768 | - |
| Payless Finance, Inc. | Evolve Bank & Trust | Professional Fees Escrow Account (Opened Post-Petition) | 0690 | 14,607,000.00 |
| Payless Finance, Inc. | Evolve Bank & Trust | 503(b)(9) Escrow Account (Opened Post-Petition) | 0692 | 250,000.00 |
| Non Consolidated Stores | | | | |
| Payless ShoeSource, Inc. | PEOPLES BANK | Non-Consolidated Store Depository | 1390 | 3,192.31 |
| Payless ShoeSource, Inc. | UMB BANK | Non-Consolidated Store Depository (Closed 4/30/2019) | 1819 | - |
| Payless ShoeSource, Inc. | ARVEST | Non-Consolidated Store Depository | 9643 | 995.51 |
| Payless ShoeSource, Inc. | TOWN & COUNTRY BANK | Non-Consolidated Store Depository (Closed 4/29/2019) | -616 | - |
| Payless ShoeSource, Inc. | FIRST KANSAS BANK | Non-Consolidated Store Depository (Closed 4/26/2019) | 7226 | - |
| Payless ShoeSource, Inc. | FIRST NATIONAL BANK OF CRESTVIEW | Non-Consolidated Store Depository | 3464 | 1,918.00 |
| Payless ShoeSource, Inc. | WOODFOREST NATIONAL BANK | Non-Consolidated Store Depository | 0148 | 3,199.47 |
| Payless ShoeSource, Inc. | INTER NATIONAL BANK | Non-Consolidated Store Depository | 95-2 | 3,043.80 |
| Payless ShoeSource, Inc. | ARVEST | Non-Consolidated Store Depository | 4271 | 1,556.45 |
| Payless ShoeSource, Inc. | SABINE STATE BANK & TRUST | Non-Consolidated Store Depository | 1423 | 1,509.48 |
| Payless ShoeSource, Inc. | BANCORP SOUTH | Non-Consolidated Store Depository | 6842 | 962.76 |
| Payless ShoeSource, Inc. | FIRST FINANCIAL BANK | Non-Consolidated Store Depository | 4701 | 3,431.86 |
| Payless ShoeSource, Inc. | JEFFERSON BANK OF MISSOURI | Non-Consolidated Store Depository (Closed 2/19/2019) | 0357 | - |
| Payless ShoeSource, Inc. | CITIZENS SECURITY BANK | Non-Consolidated Store Depository (Closed 4/26/2019) | 87-2 | - |
| Payless ShoeSource, Inc. | SIMMONS FIRST BANK | Non-Consolidated Store Depository | 6403 | 5,446.29 |
| Payless ShoeSource, Inc. | GUARANTY BOND BANK | Non-Consolidated Store Depository | 5877 | 1,077.87 |
| Payless ShoeSource, Inc. | FIRST INTERSTATE BANK | Non-Consolidated Store Depository | 1053 | 4,447.96 |
| Payless ShoeSource, Inc. | ARVEST | Non-Consolidated Store Depository | 9656 | 1,401.42 |
| Payless ShoeSource, Inc. | FIRST BANK KANSAS | Non-Consolidated Store Depository (Closed 5/28/2019) | 1348 | - |
| Payless ShoeSource, Inc. | FIDELITY BANK | Non-Consolidated Store Depository | 8814 | 3,795.15 |
| Payless ShoeSource, Inc. | SUMMIT BANK | Non-Consolidated Store Depository | 2108 | 2,609.42 |
| Payless ShoeSource, Inc. | WOODFOREST BANK | Non-Consolidated Store Depository | 1250 | 3,859.72 |
| Payless ShoeSource, Inc. | ARVEST | Non-Consolidated Store Depository | 9737 | 5,071.35 |
| Payless ShoeSource, Inc. | FIRST AMERICAN BANK | Non-Consolidated Store Depository | 7103 | 1,174.28 |
| Payless ShoeSource, Inc. | UNITED COMMUNITY BANK | Non-Consolidated Store Depository (Closed 5/29/2019) | 7461 | - |
| Payless ShoeSource, Inc. | CROSSROADS BANK | Non-Consolidated Store Depository | 7876 | 981.19 |
| Payless ShoeSource, Inc. | PIONEER NATIONAL BANK | Non-Consolidated Store Depository | 5463 | 2,544.71 |
| Payless ShoeSource, Inc. | STAR FINANCIAL BANK | Non-Consolidated Store Depository | 3977 | 3,261.20 |
| Payless ShoeSource, Inc. | ARVEST | Non-Consolidated Store Depository | 4044 | 3,686.91 |

| | | | | |
|-------------------------------|--------------------------------|--|------|--------------|
| Payless ShoeSource, Inc. | BANK OF OKLAHOMA | Non-Consolidated Store Depository | 6325 | 727.24 |
| Payless ShoeSource, Inc. | S & T BANK | Non-Consolidated Store Depository | 0935 | 2,522.35 |
| Payless ShoeSource, Inc. | ARVEST | Non-Consolidated Store Depository | 5073 | 6,612.64 |
| Payless ShoeSource, Inc. | FIRST STATE BANK | Non-Consolidated Store Depository | 25-6 | 1,462.04 |
| Payless ShoeSource, Inc. | BROADWAY BANK | Non-Consolidated Store Depository | 0257 | 1,221.61 |
| Payless ShoeSource, Inc. | HOMETOWN NATIONAL BANK | Non-Consolidated Store Depository | 7929 | 524.97 |
| Payless ShoeSource, Inc. | ALLIANCE BANK | Non-Consolidated Store Depository | 0435 | 4,380.27 |
| Payless ShoeSource, Inc. | AMERIS BANK | Non-Consolidated Store Depository | 3503 | 900.45 |
| Payless ShoeSource, Inc. | FIRST MIDWEST BANK | Non-Consolidated Store Depository | 8278 | 663.75 |
| Payless ShoeSource, Inc. | FIRST STATE BANK | Non-Consolidated Store Depository | 0249 | 1,800.95 |
| Payless ShoeSource, Inc. | LAKE CITY BANK | Non-Consolidated Store Depository | 2922 | 1,970.81 |
| Payless ShoeSource, Inc. | FROST BANK | Non-Consolidated Store Depository | 4152 | 1,097.97 |
| Payless ShoeSource, Inc. | CENTRAL NATIONAL BANK | Non-Consolidated Store Depository (Closed 5/30/2019) | 0959 | - |
| Payless ShoeSource, Inc. | WOODFOREST NATIONAL BANK | Non-Consolidated Store Depository | 0818 | 5,041.09 |
| Payless ShoeSource, Inc. | GUARANTY BANK AND TRUST | Non-Consolidated Store Depository | 9216 | 2,625.69 |
| Payless ShoeSource, Inc. | AMERIS BANK | Non-Consolidated Store Depository | 3123 | 6,881.61 |
| Payless ShoeSource, Inc. | ARVEST BANK | Non-Consolidated Store Depository | 6827 | 784.07 |
| Payless ShoeSource, Inc. | WESBANCO BANK | Non-Consolidated Store Depository (Closed 5/29/2019) | 4901 | - |
| Payless ShoeSource, Inc. | FT DAVIS STATE BANK | Non-Consolidated Store Depository (Closed 5/10/2019) | 7203 | - |
| Payless ShoeSource, Inc. | BOONE COUNTY NATIONAL BANK | Non-Consolidated Store Depository (Closed 4/25/2019) | 6634 | - |
| Payless ShoeSource, Inc. | TCF BANK | Non-Consolidated Store Depository | 3501 | 5,469.10 |
| Payless ShoeSource, Inc. | TRI-COUNTIES BANK | Non-Consolidated Store Depository | 3422 | 7,279.79 |
| Payless ShoeSource, Inc. | NBT BANK | Non-Consolidated Store Depository | 0469 | 807.97 |
| Payless ShoeSource, Inc. | FIRST COLUMBIA BANK | Non-Consolidated Store Depository | 0842 | 2,341.66 |
| Payless ShoeSource, Inc. | ELMIRA SAVINGS BANK | Non-Consolidated Store Depository | 5766 | 3,168.53 |
| Payless ShoeSource, Inc. | CENTIER BANK | Non-Consolidated Store Depository | 5323 | 10,349.19 |
| Payless ShoeSource, Inc. | LIBERTY BANK OF ARKANSAS | Non-Consolidated Store Depository | 5385 | 1,559.66 |
| Payless ShoeSource, Inc. | BENEFICIAL BANK | Non-Consolidated Store Depository | 7986 | 1,321.85 |
| Payless ShoeSource, Inc. | CITIZENS FIRST NAT'L BANK | Non-Consolidated Store Depository (Closed 4/26/2019) | 07-7 | - |
| Payless ShoeSource, Inc. | ARVEST BANK | Non-Consolidated Store Depository | 5708 | 634.30 |
| Payless ShoeSource, Inc. | FIRST NATIONAL BANK | Non-Consolidated Store Depository | 4141 | 3,531.63 |
| Payless ShoeSource, Inc. | SUN NATIONAL BANK | Non-Consolidated Store Depository (Closed 5/17/2019) | 6473 | - |
| Payless ShoeSource, Inc. | HONESDALE NATIONAL BANK | Non-Consolidated Store Depository | 6901 | 950.97 |
| Payless ShoeSource, Inc. | FIRST COMMONWEALTH BANK | Non-Consolidated Store Depository | 1245 | 3,883.61 |
| Payless ShoeSource, Inc. | TRUSTCO BANK | Non-Consolidated Store Depository | 2514 | 1,637.32 |
| Payless ShoeSource, Inc. | FIRST FINANCIAL BANK | Non-Consolidated Store Depository | 2732 | 3,081.77 |
| Payless ShoeSource, Inc. | ALPINE BANK | Non-Consolidated Store Depository | 7203 | 2,928.05 |
| Payless ShoeSource, Inc. | WAYNE BANK | Non-Consolidated Store Depository | 0058 | 3,826.29 |
| Payless ShoeSource, Inc. | ALAMOSA NATIONAL BANK | Non-Consolidated Store Depository | 3507 | 8,251.85 |
| Payless ShoeSource, Inc. | COMMUNITY BANK | Non-Consolidated Store Depository | 1298 | 3,145.87 |
| Payless ShoeSource, Inc. | WOODFOREST BANK | Non-Consolidated Store Depository | 1276 | 3,462.11 |
| Payless ShoeSource, Inc. | EASTERN SAVINGS BANK | Non-Consolidated Store Depository | 1098 | 1,514.91 |
| Payless ShoeSource, Inc. | FIRST NATIONAL BANK FREDERICKS | Non-Consolidated Store Depository | 0561 | 1,721.30 |
| Payless ShoeSource, Inc. | CENTRAL SAVINGS BANK | Non-Consolidated Store Depository | 3554 | 4,342.92 |
| Payless ShoeSource, Inc. | PARKWAY BANK | Non-Consolidated Store Depository (Closed 4/17/2019) | 0808 | - |
| Payless ShoeSource, Inc. | CITIBANK | Non-Consolidated Store Depository | 2988 | 2,426.58 |
| Payless ShoeSource, Inc. | FIRST CONVENIENCE | Non-Consolidated Store Depository (Closed 3/28/2019) | 6743 | - |
| Payless ShoeSource, Inc. | FIRST CONVENIENCE | Non-Consolidated Store Depository (Closed 4/9/2019) | 2735 | - |
| Payless ShoeSource, Inc. | FIRST NATIONAL BANK PA | Non-Consolidated Store Depository | 2463 | 4,109.38 |
| Payless ShoeSource, Inc. | BANGOR SAVINGS BANK | Non-Consolidated Store Depository | 5809 | 4,089.82 |
| Payless ShoeSource, Inc. | FIRST UNITED | Non-Consolidated Store Depository (Closed 4/29/2019) | 6178 | - |
| Payless ShoeSource, Inc. | SALEM FIVE BANK | Non-Consolidated Store Depository | 9464 | 4,982.03 |
| Payless ShoeSource, Inc. | UNITED BANK | Non-Consolidated Store Depository | 3648 | 779.08 |
| Payless ShoeSource, Inc. | PENNSTAR BANK | Non-Consolidated Store Depository (Closed 5/7/2019) | 1014 | - |
| Payless ShoeSource, Inc. | WOODFOREST BANK | Non-Consolidated Store Depository | 1334 | 2,522.03 |
| Payless ShoeSource, Inc. | LAKE SUNAPEE BANK | Non-Consolidated Store Depository (Closed 4/26/2019) | 1570 | - |
| Payless ShoeSource, Inc. | FULTON BANK OF NEW JERSEY | Non-Consolidated Store Depository | 0357 | 1,921.17 |
| Payless ShoeSource, Inc. | SALEM FIVE | Non-Consolidated Store Depository (Close 4/30/2019) | 9941 | - |
| Payless ShoeSource, Inc. | CAMDEN NATIONAL BANK | Non-Consolidated Store Depository | 4048 | 424.08 |
| Payless ShoeSource, Inc. | ALPINE BANK AND TRUST | Non-Consolidated Store Depository | 0538 | 2,597.49 |
| Payless ShoeSource, Inc. | CAPITAL CITY BANK | Non-Consolidated Store Depository | 1701 | 1,178.90 |
| Payless ShoeSource, Inc. | UNION BANK | Non-Consolidated Store Depository | 8228 | 5,186.34 |
| Payless ShoeSource, Inc. | FIRST COMMONWEALTH BANK | Non-Consolidated Store Depository | 4093 | 895.93 |
| Payless ShoeSource, Inc. | PEOPLES BANK | Non-Consolidated Store Depository | 2637 | 2,784.19 |
| Payless ShoeSource, Inc. | CITIZENS NATIONAL BANK | Non-Consolidated Store Depository | 0800 | 237.20 |
| Payless ShoeSource, Inc. | CHEMICAL BANK | Non-Consolidated Store Depository | 0845 | 3,594.95 |
| Payless ShoeSource, Inc. | LAPORTE SAVINGS BANK | Non-Consolidated Store Depository | 7964 | 2,209.41 |
| Payless ShoeSource, Inc. | FIRST SUMMIT BANK | Non-Consolidated Store Depository | 0440 | 5,302.04 |
| Payless ShoeSource, Inc. | COMMUNITY BANK | Non-Consolidated Store Depository | 3033 | 2,021.04 |
| Payless ShoeSource, Inc. | FIRST COMMONWEALTH BANK | Non-Consolidated Store Depository | 4942 | 5,550.97 |
| Payless ShoeSource, Inc. | PENNSTAR BANK | Non-Consolidated Store Depository | 6718 | 1,658.46 |
| Payless ShoeSource, Inc. | NORTHWEST SAVINGS BANK | Non-Consolidated Store Depository | 8343 | 3,118.38 |
| Payless ShoeSource, Inc. | ELMIRA SAVINGS BANK | Non-Consolidated Store Depository (Closed 5/7/2019) | 6178 | - |
| Canada | | | | |
| Payless ShoeSource Canada Inc | Royal Bank of Canada | DACA Blocked Account | 6688 | - |
| Payless ShoeSource Canada GP | Royal Bank of Canada | DACA Blocked Account | 6670 | - |
| Payless ShoeSource Canada LP | Royal Bank of Canada | DACA Blocked Account | 6662 | - |
| Payless ShoeSource Canada Inc | Royal Bank of Canada | Operating Account | 5477 | 1,044.64 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | CC Receipts | 6937 | 506.47 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | AP Checking - CAD | 6911 | 28,186.61 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | Master Funding - USD | 8517 | 30,402.89 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | AP Checking - USD | 9832 | 185.33 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | Master - AP Wire/ACH - Payroll Funding | 6945 | 7,811,174.20 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | Store Deposits (Closed 5/3/2019) | 3979 | - |
| Payless ShoeSource Canada LP | Royal Bank of Canada | Wire/ACH Payments USD | 8525 | 134,084.93 |
| Payless ShoeSource Canada LP | Royal Bank of Canada | Reserve Account (Opened Post-Petition) | 6122 | 86,713.29 |
| Payless ShoeSource Canada GP | Royal Bank of Canada | Operating Account | 5535 | 41,383.10 |
| Payless ShoeSource Canada LP | Bank of Montreal | Store Deposits (Closed 5/22/2019) | 1836 | - |
| Payless ShoeSource Canada LP | Canadian Imperial Bank | Store Deposits (Closed 5/10/2019) | 6917 | - |
| Payless ShoeSource Canada LP | Bank of Nova Scotia | Store Deposits (5/15/2019) | 6412 | - |

| | | | | |
|------------------------------|------------------------|----------------------------|-----------|-----------------------|
| Payless ShoeSource Canada LP | Toronto Dominion | Store Deposits (5/13/2019) | 6429 | - |
| Payless ShoeSource Canada LP | Wells Fargo Bank, N.A. | Multi Currency Account | 4399 | - |
| | Total Debtors | | \$ | 162,771,010.08 |

Notes:

All amounts listed above are bank balances as of June 1, 2019. Copies of bank statements and bank reconciliations are not included with MOR-1 (CONT), but can be made available upon request.

In re:

PAYLESS HOLDINGS LLC, et al.,

Case No. 19-40883

Debtors.

Reporting Period: May 2019

May 2019 Monthly Operating Report: Insurance Coverage and Premiums

| Type of Policy | Insurance Carrier(s) | Policy Number | Effective Date | Expiration Date | Geographic/Foreign Limitations | Approximate Annualized Premium (\$) |
|----------------------------------|---|-----------------------|----------------|-----------------|--------------------------------|-------------------------------------|
| Workers Comp | Zurich American Ins. Co. | WC5918470 14 | 5/1/2019 | 8/1/2019 | US | 160,000 |
| Workers Comp | Zurich American Ins. Co. | WC 5918471 14 | 5/1/2019 | 8/1/2019 | US | 1,200 |
| Workers Comp | Pacific Indemnity Ins. Co. | WC001600007 | 5/27/2019 | 5/27/2020 | Guam/Saipan | 2,818 |
| General Liability | Zurich American Ins. Co. | GLO5918469-13 (US) | 5/1/2019 | 8/1/2019 | US | 400,000 |
| Auto | Zurich American Ins. Co. | BAP5918468-12 (U.S) | 5/1/2019 | 8/1/2019 | US | 24,000 |
| Auto | Zurich Canada | AF 9800025 (CAN) | 5/1/2018 | 8/1/2019 | Canada | 14,000 |
| Property | Liberty Mutual | YAC-L9L-448456-028 | 2/1/2019 | 2/1/2020 | Global | 644,106 |
| Local Property | Royal & Sun Alliance | COM047201595 | 2/1/2019 | 2/1/2020 | Canada | 32,880 |
| Cargo | AGCS Marine Insurance Company (Allianz) | OC96062300 | 2/1/2019 | 2/1/2020 | Global | 35,286 |
| Travel Specialty | International SOS | n/a Service Agreement | 2/1/2019 | 2/1/2020 | Global | 43,002 |
| Business Travel Accident | ACE American Insurance Company | ADDN01172013R | 2/1/2019 | 2/1/2020 | Global | 36,960 |
| Storage Tank Liability | ACE American Insurance Company | G24730438 005 | 10/10/2018 | 10/10/2019 | US | 1,027 |
| Umbrella Liability | American Guarantee and Liability Insurance Company (Zurich) | AUC 0140954-01 | 5/1/2018 | 8/1/2019 | Global | 100,000 |
| Excess Liability | Navigators Insurance Company | CH18FXR862843IV | 5/1/2018 | 8/1/2019 | Global | 20,000 |
| Excess Liability | The Ohio Casualty Insurance Company (Liberty) | ECO (19) 5590 2385 | 5/1/2018 | 8/1/2019 | Global | 20,000 |
| Excess Liability | Allianz Global Risks US Insurance Company | USL 00056318 | 5/1/2018 | 8/1/2019 | Global | 21,000 |
| Excess Liability | Great American Insurance Company | TUE 6680256 12 | 5/1/2018 | 8/1/2019 | Global | 25,000 |
| Excess Liability | C.N.A | 6024082862 | 5/1/2018 | 8/1/2019 | Global | 20,000 |
| Excess Liability | XL Insurance | US00008657LI18A | 5/1/2018 | 8/1/2019 | Global | 25,000 |
| Foreign Casualty | Generali | GFP900023-02 | 5/1/2019 | 5/1/2020 | Global | 21,242 |
| Cyber Primary | Beazley Group | W1C0D9180301 | 7/15/2018 | 8/10/2019 | Global | 176,175 |
| Cyber First Excess | XL Catlin | MTE903377102 | 7/15/2018 | 8/10/2019 | Global | 88,358 |
| Cyber Second Excess | Argo Pro | XS407451 | 7/15/2018 | 8/10/2019 | Global | 31,066 |
| Monopolistic WC Alberta | Monopolistic - Local Agency | 3944192 | 1/1/2019 | 12/31/2019 | Canada | 24,000 |
| Monopolistic WC British Columbia | Monopolistic - Local Agency | 6119267 | 1/1/2019 | 12/31/2019 | Canada | 56,000 |
| Monopolistic WC Nova Scotia | Monopolistic - Local Agency | 185230 | 1/1/2019 | 12/31/2019 | Canada | 15,200 |
| Monopolistic WC Ontario | Monopolistic - Local Agency | 2111989 | 1/1/2019 | 12/31/2019 | Canada | 215,000 |
| Monopolistic WC Quebec | Monopolistic - Local Agency | 3363413959 | 1/1/2019 | 12/31/2019 | Canada | 10,000 |
| Monopolistic WC Saskatchewan | Monopolistic - Local Agency | A113399 | 1/1/2019 | 12/31/2019 | Canada | 5,100 |
| Monopolistic WC Manitoba | Monopolistic - Local Agency | 1299528 | 1/1/2019 | 12/31/2019 | Canada | 3,000 |
| Monopolistic WC New Brunswick | Monopolistic - Local Agency | 600272 | 1/1/2019 | 12/31/2019 | Canada | 7,100 |
| Monopolistic WC Newfoundland | Monopolistic - Local Agency | 2039124 | 1/1/2019 | 12/31/2019 | Canada | 5,800 |
| Monopolistic WC Prince Edwards | Monopolistic - Local Agency | 18983 | 1/1/2019 | 12/31/2019 | Canada | 2,400 |

| | | | | | | |
|---------------------------------|--------------------------------|-------------------|-----------|------------|----------------|---------|
| Monopolistic WC Puerto Rico | Monopolistic - Local Agency | 9212001024 | 1/1/2019 | 12/31/2019 | Puerto Rico | 80,000 |
| Monopolistic WC Ohio DC/Stores | Monopolistic - Local Agency | 80008491/80008492 | 7/13/2018 | 7/13/2019 | US | 450,000 |
| Monopolistic WC Washington | Monopolistic - Local Agency | 913, 129-01 | 1/1/2019 | 12/31/2019 | US | 140,000 |
| Monopolistic WC North Dakota | Monopolistic - Local Agency | 652016 | 1/1/2019 | 12/31/2019 | US | 6,000 |
| Monopolistic WC Wyoming | Monopolistic - Local Agency | 5043316 | 1/1/2019 | 12/31/2019 | US | 4,500 |
| Monopolistic WC Virgin Islands | Monopolistic - Local Agency | 9927 | 1/1/2019 | 12/31/2019 | Virgin Islands | 8,200 |
| D&O Primary | Freedom Specialty Insurance Co | PHF1800357 | 8/10/2018 | 8/10/2019 | Global | 65,511 |
| D&O First Excess | US Specialty Insurance Co | 14-MGU-18-A44602 | 8/10/2018 | 8/10/2019 | Global | 42,582 |
| D&O Second Excess | Continental Casualty Company | 652024450 | 8/10/2018 | 8/10/2019 | Global | 34,950 |
| D&O Third Excess | ACE American Insurance Company | DOX G46801507 002 | 8/10/2018 | 8/10/2019 | Global | 30,008 |
| D&O Fourth Excess | Beazley Insurance Company | V241BC180101 | 8/10/2018 | 8/10/2019 | Global | 30,000 |
| D&O Lead Side A/DIC | Lloyd's of London | B0509FINMW1801322 | 8/10/2018 | 8/10/2019 | Global | 30,000 |
| International D&O (Side-A Only) | Zurich | B0509FINMW1801469 | 8/10/2018 | 8/10/2019 | International | 37,605 |
| Local D&O Canada | | B0509FINMW1801468 | 8/10/2018 | 8/10/2019 | Canada | 10,800 |
| EPL Primary | Nationwide | PHF1800357 | 8/10/2018 | 8/10/2019 | Global | 109,604 |
| EPL Excess | Beazley | V241C1180101 | 8/10/2018 | 8/10/2019 | Global | 49,000 |
| Fiduciary Primary | Nationwide | PHF1800357 | 8/10/2018 | 8/10/2019 | Global | 20,106 |
| Fiduciary Excess | Continental Casualty Company | 596816933 | 8/10/2018 | 8/10/2019 | Global | 5,400 |
| Crime Primary | Beazley | V2417D180101 | 8/10/2018 | 8/10/2019 | Global | 48,849 |
| Crime Excess | RLI | BND0101854 | 8/10/2018 | 8/10/2019 | Global | 27,000 |
| Special Crime | Chubb | 8225-9848 | 8/10/2018 | 8/10/2019 | Global | 36,454 |
| Runoff D&O Primary | Freedom Specialty Insurance Co | PHF1800357 | 8/10/2018 | 8/10/2025 | Global | 163,778 |
| Runoff D&O First Excess | US Specialty Insurance Co | 14-MGU-18-A44602 | 8/10/2018 | 8/10/2025 | Global | 106,455 |
| Runoff D&O Second Excess | Continental Casualty Company | 652024450 | 8/10/2018 | 8/10/2025 | Global | 87,375 |
| Runoff D&O Third Excess | ACE American Insurance | DOX G46801507 002 | 8/10/2018 | 8/10/2025 | Global | 150,000 |
| Runoff D&O Fourth Excess | Beazley Insurance Company | V241BC180101 | 8/10/2018 | 8/10/2025 | Global | 75,000 |

Debtors.

Reporting Period: May 2019

Accounts Receivable Reconciliation and Aging

| Accounts Receivable Reconciliation | Amount |
|--|------------------|
| Total Accounts Receivable at the beginning of the reporting period | \$ 894,391 |
| Plus: Amounts billed during the period | - |
| Less: Amounts collected during the period | 57,064 |
| Less: Amounts written off during the period | 795,318 |
| Total Accounts Receivable at the end of the reporting period | \$ 42,009 |

| Accounts Receivable Aging | Period |
|---|------------------|
| Current | \$ - |
| 0 - 30 days past due | 20,804 |
| 31 - 60 days past due | 10,849 |
| 61 - 90 days past due | 1,051 |
| Greater than 91 days past due | 9,305 |
| Total Accounts Receivable | 42,009 |
| Less: Bad Debts (Amount considered uncollectible) | (21,206) |
| Net Accounts Receivable | \$ 20,804 |

In re:

PAYLESS HOLDINGS LLC, et al.,

Case No. 19-40883

Debtors.

Reporting Period: May 2019

Status of Post-Petition Taxes

| Federal | Beginning Tax | Amount Withheld and/or Accrued | Amount Paid | Date Paid | Check or EFT | June 1 Ending Tax |
|------------------------------------|----------------------|--------------------------------|------------------------|---------------|--------------|----------------------|
| Withholding | \$ 1,377,965 | \$ 1,401,630 | \$ (1,349,374) | 05/05 - 06/01 | EFT | \$ 1,430,222 |
| FICA-Employee | 1,559,880 | 1,288,193 | (1,330,726) | 05/05 - 06/01 | EFT | \$ 1,517,347 |
| FICA-Employer | 1,559,881 | 1,288,200 | (1,330,733) | 05/05 - 06/01 | EFT | \$ 1,517,348 |
| Unemployment | 80,679 | 29,057 | (33,165) | 05/05 - 06/01 | EFT | \$ 76,571 |
| Income | - | - | - | N/A | N/A | \$ - |
| Other: | - | - | - | N/A | N/A | \$ - |
| Total Federal Taxes | \$ 4,578,405 | \$ 4,007,080 | \$ (4,043,997) | | | \$ 4,541,488 |
| State and Local | | | | | | |
| Withholding | 563,841 | 537,216 | (534,390) | 05/05 - 06/01 | Check & EFT | 566,667 |
| Sales/Use | 8,376,398 | 5,951,704 | (7,582,656) | 05/05 - 06/01 | Check & EFT | 6,745,446 |
| Unemployment | 309,031 | 151,443 | (166,006) | 05/05 - 06/01 | Check & EFT | 294,469 |
| Real Property | - | - | - | N/A | N/A | - |
| Personal Property | 287,992 | 84,447 | - | N/A | N/A | 372,439 |
| Franchise | 49,712 | 18,735 | (9,688) | 05/05 - 06/01 | Check & EFT | 58,759 |
| Income | 219,500 | (369,097) | (1,000) | 05/05 - 06/01 | Check & EFT | (150,597) |
| Total State and Local Taxes | \$ 9,806,475 | \$ 6,374,448 | \$ (8,293,740) | | | \$ 7,887,183 |
| International | | | | | | |
| Canada Income | - | - | - | N/A | N/A | - |
| Canada GST/HST/PST | 894,950 | (849,937) | (45,013) | 05/05 - 06/01 | Check & EFT | 0 |
| Puerto Rico Income | - | - | (4,000) | 05/05 - 06/01 | Check | (4,000) |
| Puerto Rico Property | 57,583 | 9,834 | (58,232) | N/A | N/A | 9,184 |
| Puerto Rico Sales/Use | 360,889 | 68,758 | (174,925) | 05/05 - 06/01 | Check & EFT | 254,722 |
| Puerto Rico Volume of Business | - | - | - | N/A | N/A | - |
| Virgin Islands Income | - | - | (4,600) | 05/05 - 06/01 | Check | (4,600) |
| Other International Tax | (100,146) | - | (53,426) | 05/05 - 06/01 | EFT | (153,572) |
| Total International Taxes | \$ 1,213,276 | \$ (771,345) | \$ (340,196) | | | \$ 101,734 |
| Total Taxes | \$ 15,598,156 | \$ 9,610,182 | \$ (12,677,933) | | | \$ 12,530,405 |

Note:

To the best of the Debtors' knowledge, as of the date hereof, (i) all Post-Petition Taxes that are not subject of dispute are current, (ii) there are no material disputes with respect to Post-Petition Taxes, and (iii) no previous tax years have been reopened since the filing date. The Canada Revenue Agency has contacted the Debtor post-filing regarding a GST / HST audit.

Taxes Reconciliation and Aging

| Taxes Payable | 0-30 | 31-60 | 61-90 | 91+ | Total |
|----------------------------|----------------------|-------------|-------------|-------------|----------------------|
| Federal | \$ 4,541,488 | \$ - | \$ - | \$ - | \$ 4,541,488 |
| State and Local | 7,887,183 | - | - | - | 7,887,183 |
| International | 101,734 | - | - | - | 101,734 |
| Total Taxes Payable | \$ 12,530,405 | \$ - | \$ - | \$ - | \$ 12,530,405 |

Summary of Unpaid Post-Petition Debts

| | Current | 0-30 | 31-60 | 61-90 | Over 91 | Total |
|--|----------------------|-------------|-------------|-------------|-------------|----------------------|
| Accounts Payable | \$ 15,161,575 | - | \$ - | \$ - | \$ - | \$ 15,161,575 |
| Wages Payable | 4,067,404 | - | - | - | - | 4,067,404 |
| Taxes Payable | 12,536,764 | - | - | - | - | 12,536,764 |
| Rent/Leases-Building | 312,824 | - | - | - | - | 312,824 |
| Rent/Leases-Equipment | 805 | - | - | - | - | 805 |
| Secured Debt/ A25 Adequate Protection Payments | - | - | - | - | - | - |
| Professional Fees | - | - | - | - | - | - |
| Amounts Due to Insiders | 43,757 | - | - | - | - | 43,757 |
| Other: | - | - | - | - | - | - |
| Total Post-Petition Debts | \$ 32,123,129 | \$ - | \$ - | \$ - | \$ - | \$ 32,123,129 |

Debtors.

Reporting Period: May 2019

Payments to Professionals

| Name | Role / Capacity | Amount Paid During The Month Ended June 1, 2019 | Cumulative Paid From February 18, 2019 through June 1, 2019 |
|--|---|---|---|
| AKIN GUMP STRAUSS HAUER & FELD, LLP | Counsel to Debtors | \$ - | \$ - |
| ALIX PARTNERS LLP | Financial Advisors to the Term Loan Lenders | 213,305 | 667,861 |
| ANKURA CONSULTING GROUP LLC | Chief Restructuring Officer and Financial Advisors to Debtors | 1,120,569 | 1,539,485 |
| ARMSTRONG TEASDALE LLP | Local Counsel for the Debtors | 395,091 | 488,033 |
| BENNETT JONES LLP | Counsel to the Canadian Monitor | 35,310 | 448,982 |
| CASSELS BROCK & BLACKWELL LLP | Canadian Counsel for Debtors | 203,347 | 1,555,293 |
| CHOATE HALL & STEWART LLP | Counsel to ABL Agent | 72,144 | 574,602 |
| CONYERS DILL & PEARMAN | BVI Counsel to Certain Term Loan Lenders | 15,110 | 34,130 |
| CRAIG A. BARBAROSH | Board of Directors - Observer | - | - |
| DOSTER, ULLOM & BOYLE, LLC | Counsel to Certain Term Loan Lenders | 37,537 | 37,537 |
| ERNST & YOUNG LLP | Restructuring Tax Preparation for Debtors | - | - |
| FTI CONSULTING CANADA INC | Canadian Monitor | 112,616 | 1,005,811 |
| FTI CONSULTING, INC (US) | Financial Advisor to the Special Committee | - | - |
| GREAT AMERICAN GROUP LLC / TIGER GROUP LLC | Consultants to the Debtor (Store Closings) | 17,473,685 | 38,857,584 |
| GREENBERG TRAURIG, LLP | Counsel to FILO Agent | 20,680 | 108,102 |
| HOULIHAN LOKEY CAPITAL INC | Investment Bankers to Term Loan Lenders | 250,000 | 250,000 |
| KRAMER LEVIN NAFTALIS & FRANKEL LLP | Counsel to Certain Term Loan Lenders | 1,371,313 | 1,981,622 |
| LEWIS RICE LLC | Counsel to Certain Term Loan Lenders | 8,670 | 8,670 |
| MACKINAC PARTNERS LLC | Financial Advisor to the ABL Agent | - | 165,259 |
| MALFITANO PARTNERS | Liquidation Specialist for Debtors | 84,237 | 304,369 |
| NORTON ROSE FULBRIGHT CANADA LLP | Canadian Counsel for ABL Agent | - | 107,758 |
| NORTON ROSE FULBRIGHT US LLP | Counsel to Term Loan Agent | - | 247,557 |
| PACHULSKI STANG ZIEHL & JONES LLP | Counsel to the UCC | 519,364 | 519,364 |
| POLSINELLI, PC | Local Counsel to the UCC | 53,348 | 106,696 |
| PJ SOLOMON SECURITIES LLC | Investment Bankers to Debtors | - | - |
| PRIME CLERK LLC | Claims and Noticing Agent | 196,710 | 886,221 |
| PROVINCE, INC. | Financial Advisor to the UCC | 584,734 | 584,734 |
| REEVEMARK LLC | Communications Firm to Debtors | 7,638 | 7,638 |
| SCHULTE ROTH & ZABEL LLP | Counsel to TPG Specialty Lending, Inc. | - | 55,965 |
| SEWARD & KISSEL LLP | Counsel to the Debtors | 345,421 | 345,421 |
| STROOCK & STROOCK & LAVAN LLP | Counsel to Certain Term Loan Lenders | 43,661 | 1,171,110 |
| THOMPSON COLBURN LLP | Counsel to ABL Agent | 3,185 | 3,185 |
| Total Payments to Professionals | | \$ 23,167,676 | \$ 52,062,989 |

Notes:

Payments to ordinary course professionals are not included. This schedule includes payments issued to third parties and does not include accrued but unpaid amounts.

Post-Petition Status of Secured Debts

| Name of Creditor | Description | Scheduled Monthly Payment Due | Amount Paid During Month | Total Unpaid Post-Petition |
|---|---------------------------|-------------------------------|--------------------------|----------------------------|
| Wells Fargo Bank - Agent | ABL - Tranche A | N/A | \$ - | \$ - |
| Wells Fargo Bank - Agent | ABL - Tranche A 1 | N/A | - | - |
| Wells Fargo Bank - Agent | Standby Letters of Credit | N/A | - | - |
| Cortland Capital Markets - Agent | Term Loan - Tranche A-1 | N/A | - | 79,200,000 |
| Cortland Capital Markets - Agent | Term Loan - Tranche A-2 | N/A | - | 198,000,000 |
| Wilmington Savings Fund Society - Agent | DIP Term Loan | N/A | - | - |
| Total Payments | | | \$ - | \$ 277,200,000 |

Notes:

This schedule does not include detail on capital leases, on which the Debtors continue their analysis.

The Debtors borrowed additional amounts under the DIP Term Loan during fiscal month April 2019, which was subsequently paid in full.

In re:

PAYLESS HOLDINGS LLC, et al.,

Case No. 19-40883

Debtors.

Reporting Period: May 2019

Debtor Questionnaire

| Must be completed each month. If the answer to any of the questions is "Yes", provide a detailed explanation of each item. Attach additional sheets if necessary. | Yes | No |
|--|------------------|------------------|
| Have any assets been sold or transferred outside the normal course of business this reporting period? | | X ⁽¹⁾ |
| Have any funds been disbursed from any account other than a debtor in possession account this reporting period? | | X ⁽²⁾ |
| Is the Debtor delinquent in the timely filing of any post-petition tax returns? | | X |
| Are workers compensation, general liability or other necessary insurance coverages expired or cancelled, or has the debtor received notice of expiration or cancellation of such policies? | | X |
| Is the Debtor delinquent in paying any insurance premium payment? | | X |
| Have any payments been made on pre-petition liabilities this reporting period? | X ⁽³⁾ | |
| Are any post-petition receivables (accounts, notes or loans) due from related parties? | | X |
| Are any post-petition payroll taxes past due? | | X |
| Are any post-petition State or Federal income taxes past due? | | X |
| Are any post-petition real estate taxes past due? | | X |
| Are any other post-petition taxes past due? | | X |
| Have any pre-petition taxes been paid during this reporting period? | X ⁽³⁾ | |
| Are any amounts owed to post-petition creditors delinquent? | | X |
| Are any wage payments past due? | | X |
| Have any post-petition loans been received by the Debtor from any party? | X ⁽⁴⁾ | |
| Is the Debtor delinquent in paying any U.S. Trustee fees? | | X |
| Is the Debtor delinquent with any court ordered payments to attorneys or other professionals? | | X |
| Have the owners or shareholders received any compensation outside of the normal course of business? | | X |

Notes:

⁽¹⁾Pursuant to the Store Closure Motion the Debtors are conducting GOB sales in all stores.

⁽²⁾Pursuant to the Cash Management Motion (docket #22) the Debtor maintains a concentration account held by Payless Finance at Wells Fargo. The concentration account is the Company's main operating account into which funds are transferred from other of the Company's bank accounts and from which funds are disbursed to meet the Company's ordinary course obligations, some of which may not be a DIP account.

⁽³⁾Pursuant to the relief requested under "First Day Motions" and their respective interim and final orders, certain payments have been made on pre-petition obligations (e.g. employee related obligations, customer programs, taxes, critical vendors, carriers and warehousemen).

⁽⁴⁾Pursuant to the DIP Order, the debtors obtained post-petition financing. Funds obtained pursuant to the DIP Order were repaid in full in Fiscal April 2019.



PAYLESS INC. AND SUBSIDIARIES¹
(DEBTORS-IN-POSSESSION)

MONTHLY OPERATING REPORT

AS OF JUNE 1, 2019
AND FOR THE 4 WEEKS ENDED JUNE 1, 2019

[UNAUDITED]

¹ These financial statements were prepared on a consolidated basis, including non-debtor entities

U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
PAYLESS INC. AND SUBSIDIARIES
(Debtors-in-Possession)
Index to Condensed Consolidated Financial Statements and Schedules
(UNAUDITED)

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| Condensed Consolidated Balance Sheet | 2 |
| Condensed Consolidated Statement of Operations | 3 |
| Condensed Consolidated Statement of Cash Flow | 4 |
| Notes to Condensed Consolidated Financials Statements | 5-6 |

U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
PAYLESS INC. AND SUBSIDIARIES
(Debtors-in-Possession)
Condensed Consolidated Balance Sheet
(UNAUDITED)
(Dollars in Millions)

| | June 1, 2019 |
|--|-----------------|
| <u>ASSETS</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ 201.8 |
| Restricted Cash | 36.8 |
| Accounts receivable, net | 10.1 |
| Inventories, net | 116.5 |
| Prepaid expenses | 23.8 |
| Other current assets | 7.8 |
| Total Current Assets | 396.8 |
| Property and equipment, net | 35.8 |
| Intangible assets, net | 105.1 |
| Goodwill | 241.7 |
| Deferred income taxes | 6.4 |
| Other assets | 7.1 |
| Total Assets | <u>\$ 792.9</u> |
| <u>LIABILITIES AND EQUITY</u> | |
| Current Liabilities Not Subject to Compromise: | |
| Current maturities of long-term debt | \$ 3.3 |
| Short-term debt | 0.1 |
| Accounts payable | 164.7 |
| Accrued expenses | 62.1 |
| Total Current Liabilities | 230.2 |
| Long-term Liabilities Not Subject to Compromise: | |
| Long-term debt | 44.2 |
| Deferred income taxes | 3.5 |
| Other liabilities | 32.0 |
| Total long-term Liabilities | 79.7 |
| Liabilities subject to compromise | 409.5 |
| Total Liabilities | <u>\$ 719.4</u> |
| Equity: | |
| Payless Inc. shareowners' deficit | (60.4) |
| Noncontrolling interests | 133.9 |
| Total Equity | 73.5 |
| Total Liabilities and Equity | <u>\$ 792.9</u> |

These condensed consolidated financial statements and accompanying notes do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor are they intended to be fully reconciled to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments. The accompanying notes are an integral part of these condensed consolidated financial statements.

U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
PAYLESS INC. AND SUBSIDIARIES
(Debtors-in-Possession)
Condensed Consolidated Statement of Operations
(UNAUDITED)
(Dollars in Millions)

| | 4 Weeks Ended June 1, 2019 |
|---|-------------------------------|
| Net sales | \$ 113.7 |
| Cost of sales | <u>88.3</u> |
| Gross margin | 25.4 |
| Selling, general and administrative expenses | <u>40.7</u> |
| Operating loss | (15.3) |
| Interest expense | <u>0.5</u> |
| Net loss before reorganization items and income taxes | (15.8) |
| Reorganization items, net | <u>8.1</u> |
| Net loss before income taxes | (23.9) |
| Provision for income taxes | <u>1.2</u> |
| Net loss | (25.1) |
| Net earnings attributable to noncontrolling interests | <u>(0.2)</u> |
| Net loss attributable to Payless Inc. | <u><u>\$ (25.3)</u></u> |

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U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
PAYLESS INC. AND SUBSIDIARIES
(Debtors-in-Possession)
Condensed Consolidated Statement of Cash Flow
(UNAUDITED)
(Dollars in Millions)

| | 4 Weeks Ended June 1, 2019 |
|--|-------------------------------|
| Operating Activities: | |
| Net loss | \$ (25.1) |
| Adjustments for non-cash items included in net loss: | |
| Loss on impairment and disposal of assets | 4.3 |
| Depreciation and amortization | 0.4 |
| Deferred income taxes | (0.5) |
| Changes in working capital: | |
| Accounts receivable | (5.0) |
| Inventories | 50.2 |
| Prepaid expenses and other current assets | 5.6 |
| Accounts payable | (3.9) |
| Accrued expenses, net | (34.9) |
| Changes in other assets and liabilities, net | (2.3) |
| Cash flow used in operating activities | (11.2) |
| Investing Activities: | |
| Capital expenditures | (0.3) |
| Proceeds from sale of land and buildings | 0.7 |
| Cash flow provided by investing activities | 0.4 |
| Financing Activities: | |
| Repayment of debt, net | (0.4) |
| Cash flow used in financing activities | (0.4) |
| Effect of exchange rate changes on cash | 0.6 |
| Decrease in cash, cash equivalents, and restricted cash | (10.6) |
| Cash, cash equivalents, and restricted cash, beginning of period | 249.2 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 238.6 |
| Supplemental cash flow information: | |
| Cash and cash equivalents | \$ 201.8 |
| Restricted Cash | 36.8 |
| Total cash, cash equivalents, and restricted cash | \$ 238.6 |

These condensed consolidated financial statements and accompanying notes do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor are they intended to be fully reconciled to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments. The accompanying notes are an integral part of these condensed consolidated financial statements.

U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
PAYLESS INC. AND SUBSIDIARIES
(Debtors-in-Possession)
Notes to Condensed Consolidated Financial Statements
(UNAUDITED)

1. Basis of Accounting

The accompanying condensed consolidated financial statements of the Debtors have been prepared solely for the purpose of complying with the monthly reporting requirements of the U.S. Bankruptcy Court of the Eastern District of Missouri (referred to herein as the "Monthly Operating Report" or "MOR"). The MOR is limited in scope, covers a limited time period, and the schedules contained herein were not audited or reviewed by independent accountants nor are they intended to reconcile to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. The Debtors' accounting systems, policies, and practices were developed with a view to producing consolidated financial reporting on a monthly basis, rather than by legal entity or on a stub period basis. Therefore, it is possible that not all assets or liabilities have been recorded at the correct legal entity of either the Debtor or a non-Debtor affiliate. Also, certain assumptions and estimates were made in order to prepare the financial statements as of the petition date and for the post-petition period. In addition, the assets and liabilities, as well as results of operations of non-Debtor affiliates are included in the Debtors' condensed consolidated financial statements due to the manner in which transactions have been integrated in the Debtors' accounting systems. The Debtors reserve all rights to supplement or amend any schedules contained in this MOR.

The information presented herein is unaudited, subject to further review and potential adjustments, and may not have been subject to all procedures that would typically be applied to financial information presented in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP"), including, but not limited to, goodwill impairment, deconsolidation of foreign Debtors, and any other recurring adjustment considered necessary by management to fairly state the financial position and results of operations for the period presented. Furthermore, the MOR does not contain all disclosures that would be required for presentation in accordance with US GAAP and there can be no assurance that, from the prospective of an investor or potential investor, the MOR is complete. As part of their restructuring efforts, the Debtors are reviewing their assets and liabilities on an ongoing basis, including without limitation with respect to intercompany claims and obligations, and nothing contained in the MOR shall constitute a waiver of any of the Debtors' rights with respect to such assets, liabilities, claims and obligations that may exist.

The Debtors' condensed consolidated financial statements presented herein have been prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. Furthermore, the condensed consolidated financial statements contained herein have been prepared following the guidance in Financial Accounting Standards Board Accounting Standards Codification 852 "Reorganizations". Consequently, certain prepetition liabilities have been reclassified as liabilities subject to compromise. Liabilities subject to compromise currently include debt obligations, amounts due to third parties for goods and services prior to February 18, 2019, (the voluntary bankruptcy petition date) and certain known potential settlement claim amounts. It may also include estimates for litigation and contingent claims and claims created by the Debtors' rejection of executory contracts and unexpired leases. The Debtors continue to analyze and reconcile these amounts, and, therefore, the amounts reflected herein are current estimates and subject to change as additional analysis and decisions are completed.

The Debtors caution readers not to place undue reliance upon the information contained in this MOR. The results herein are not necessarily indicative of results which may be expected from any other period or for the full year and may not necessarily reflect the combined results and financial position of the Debtors in the future.

These condensed consolidated financial statements and accompanying notes do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States of America, nor are they intended to be fully reconciled to any financial statements otherwise prepared or distributed by the Debtors or any of the Debtors' affiliates. This information is unaudited and is subject to further review and potential adjustments. The accompanying notes are an integral part of these condensed consolidated financial statements.

2. Chapter 11 Filing

The Debtors in the Chapter 11 cases are:

| <u>Debtor Entities</u> | <u>Case Number</u> |
|--|--------------------|
| 1 Payless Holdings LLC | 19-40883 |
| 2 Payless Intermediate Holdings LLC | 19-40886 |
| 3 WBG - PSS Holdings LLC | 19-40889 |
| 4 Payless Inc. | 19-40890 |
| 5 Payless Finance, Inc. | 19-40892 |
| 6 Collective Brands Services, Inc. | 19-40910 |
| 7 PSS Delaware Company 4, Inc. | 19-40884 |
| 8 Shoe Sourcing, Inc. | 19-40898 |
| 9 Payless ShoeSource, Inc. | 19-40882 |
| 10 Eastborough, Inc. | 19-40888 |
| 11 Payless Purchasing Services, Inc. | 19-40903 |
| 12 Payless ShoeSource Merchandising, Inc. | 19-40907 |
| 13 Payless Gold Value CO, Inc. | 19-40885 |
| 14 Payless ShoeSource Distribution, Inc. | 19-40894 |
| 15 Payless ShoeSource of Puerto Rico, Inc. | 19-40906 |
| 16 Payless NYC, Inc. | 19-40901 |
| 17 Payless ShoeSource Worldwide, Inc. | 19-40896 |
| 18 PSS Canada, Inc. | 19-40902 |
| 19 Payless ShoeSource Canada Inc. | 19-40895 |
| 20 Payless ShoeSource Canada GP Inc. | 19-40899 |
| 21 Payless ShoeSource Canada LP | 19-40897 |
| 22 Payless Collective GP, LLC | 19-40887 |
| 23 Collective Licensing, LP | 19-40908 |
| 24 Collective Licensing International, LLC | 19-40891 |
| 25 Clinch, LLC | 19-40900 |
| 26 Collective Brands Franchising Services, LLC | 19-40893 |
| 27 Payless International Franchising, LLC | 19-40905 |

3. Liabilities Subject to Compromise

Estimated liabilities subject to compromise as of June 1, 2019 consists of the following:

(Dollars in Millions)

| | <u>June 1, 2019</u> |
|---------------------------------------|---------------------|
| Accounts payable and accrued expenses | \$ 125.0 |
| Accrued interest payable | 7.3 |
| Debt obligations | 277.2 |
| Total | <u>\$ 409.5</u> |

4. Reorganization Items, Net

Reorganization items, net, for the 4 weeks ended June 1, 2019 consists of the following:

| | <u>For the 4 weeks ended June 1, 2019</u> |
|--|---|
| (Dollars in Millions) | |
| Professional fees | \$ 7.2 |
| Store and lease termination costs, net | 0.8 |
| Other, net | 0.1 |
| Total | <u>\$ 8.1</u> |

5. Cash and Cash Equivalents

Approximately \$18.9 million included in Cash and Cash Equivalents are amounts earmarked for accrued and unpaid professional fees related to the restructuring, potential 503(b)(9) claims, sales taxes and utilities adequate assurance deposits.

6. Restricted Cash

Restricted Cash consists substantially of the amounts contained in the Citibank, N.A. escrow account (Account 1748) for general unsecured claims of Payless I and cash collateral for outstanding Letters of Credit.